

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

***Kalamazoo Regional Water and Wastewater Commission  
Kalamazoo County, Michigan***

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

*Year ended March 31, 2005*

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## INDEPENDENT AUDITORS' REPORT

**Members of the Board  
Kalamazoo Regional Water and Wastewater Commission**

We have audited the accompanying basic financial statements of the Kalamazoo Regional Water and Wastewater Commission, as of March 31, 2005, and for the year then ended, as listed in the contents. These financial statements are the responsibility of the Kalamazoo Regional Water and Wastewater Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Kalamazoo Regional Water and Wastewater Commission at March 31, 2005, and the changes in financial position for the year then ended, in conformity with U.S. generally accepted accounting principles.

As described in Note 5, the Kalamazoo Regional Water and Wastewater Commission has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of January 1, 2004.

The Kalamazoo Regional Water and Wastewater Commission has not presented a management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information on page 8 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Siegfried Crandall P.C.*

May 18, 2005

## **BASIC FINANCIAL STATEMENTS**

**Kalamazoo Regional Water and Wastewater Commission**

**STATEMENT OF NET ASSETS**

March 31, 2005

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**ASSETS**

Current assets:

Cash	\$ 193,890
Receivable (net)	<u>680</u>

Total assets	<u>194,570</u>
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**LIABILITIES**

Current liabilities:

Accounts payable	<u>6,017</u>
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**FUND BALANCE/NET ASSETS**

Net assets:

Unrestricted	<u>\$ 188,553</u>
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See notes to financial statements

**Kalamazoo Regional Water and Wastewater Commission**

**STATEMENT OF ACTIVITIES**

*Year ended March 31, 2005*

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**EXPENSES**

Public works	\$ 33,868
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**GENERAL REVENUES**

Interest	1,860
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<b>CHANGE IN NET ASSETS</b>	(32,008)
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<b>NET ASSETS - BEGINNING</b>	220,561
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<b>NET ASSETS - ENDING</b>	\$ 188,553
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*See notes to financial statements*

**Kalamazoo Regional Water and Wastewater Commission**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Kalamazoo Regional Water and Wastewater Commission conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant policies:

The Kalamazoo Regional Water and Wastewater Commission was established May 8, 1998, to jointly plan for, coordinate, and implement regionalization of water and wastewater infrastructure in and around Kalamazoo County. The Commission is comprised of various municipalities within Kalamazoo County.

*a) Reporting entity:*

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Commission (primary government). The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Commission has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the Commission's financial statements.

*b) Basis of accounting:*

The statement of net assets and the statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses when a liability is incurred, regardless of timing of related cash flows. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by provider have been met.

The Operating Fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available if collected in the current period or within 60 days of the end of the current fiscal year end. Expenditures are generally recognized when the related liability is incurred.

*c) Assets and liabilities:*

*i) Bank deposits* - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.

*d) Receivables:*

All receivables are expected to be fully collectible as presented.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

**Budgetary information** - The budget is adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by function, department, and line items. The legal level of budgetary control adopted by the governing body is the functional level. Amounts encumbered for purchase orders, contracts, etc., are tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

***Kalamazoo Regional Water and Wastewater Commission***  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 3 - CASH:**

Deposits are carried at cost and are maintained at various financial institutions in the name of the Commission. Michigan Compiled Laws, Section 129.91, authorizes the Commission to deposit and invest in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Commission's deposits are in accordance with statutory authority. At March 31, 2005, the Commission has deposits with a carrying amount and a bank balance of \$193,890.

**NOTE 4 - RISK MANAGEMENT:**

The Commission is exposed to various risks of loss related to torts, theft of, damage to, and destruction of, assets, errors and omissions, injuries to employees, and natural disasters. The Commission carries commercial insurance for the above risks of loss. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal periods.

**NOTE 5 - CHANGE IN ACCOUNTING PRINCIPLES:**

Effective January 1, 2004, the Commission implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, along with all related statements and interpretations. This change in accounting and reporting did not result in a restatement of net assets.

## REQUIRED SUPPLEMENTAL INFORMATION

**Kalamazoo Regional Water and Wastewater Commission**  
**BUDGETARY COMPARISON SCHEDULE - Operating Fund**  
Year ended March 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Interest	\$ 1,500	\$ 1,500	\$ 1,860	\$ 360
<b>EXPENDITURES</b>				
Public works:				
Professional services	37,750	37,750	18,255	19,495
Insurance	2,250	2,250	1,936	314
Other	<u>19,500</u>	<u>19,500</u>	<u>13,677</u>	<u>5,823</u>
Total public works	<u>59,500</u>	<u>59,500</u>	<u>33,868</u>	<u>25,632</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	(58,000)	(58,000)	(32,008)	25,992
<b>FUND BALANCE - BEGINNING</b>	<u>220,561</u>	<u>220,561</u>	<u>220,561</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 162,561</u>	<u>\$ 162,561</u>	<u>\$ 188,553</u>	<u>\$ 25,992</u>